

MANAGEMENT AND SALE OF ACQUIRED REAL ESTATE

I PARAGRAPH I A, PURPOSE: This instruction supplements FmHA Instruction 465.2, Management and Sale of Acquired Real Estate, and outlines certain policies and state laws applicable to Texas.

II PARAGRAPH II, HANDLING OF ACQUIRED PROPERTY DURING REDEMPTION:  
Real estate is not subject to redemption rights under Texas law.

III PARAGRAPH III, MANAGEMENT OF ACQUIRED REAL ESTATE:

A Paragraph III A, Costs. Vouchers processed after acquisition of the real estate will be appropriately marked "recoverable" or "nonrecoverable" using the following guidelines in making this determination.

1 RECOVERABLE COSTS INCIDENT TO ACQUIRED REAL PROPERTY.  
Recoverable costs include such items as payments for repairs, building improvements, and land development that increase the value of the acquired real estate, as well as payments made to prior lienholders. These recoverable costs which occur after acquisition of the real estate are not chargeable to the borrower's account but are chargeable to inventory.

2 NONRECOVERABLE COSTS INCIDENT TO ACQUIRED REAL PROPERTY.  
Nonrecoverable costs include such items and costs necessary for the preservation and protection of the acquired real property. These non-recoverable costs which occur after acquisition of the real estate are not chargeable to the borrower's account and, since they do not increase the value of the property, are charged only as an operating expense item to the inventory account. (Revised 2-5-76 PN 403)

B Paragraph III B, Posting the Property. On acquired RH property, in addition to the posters "This Property for Sale" and "Warning", the County Supervisor will also place an advertisement as required by FmHA Instruction 465.2, paragraph VI B, on the property and in at least two public places. This advertisement should be patterned after the attached Exhibit A or B, as appropriate.

C Paragraph III C, Reporting Damage or Theft. If vandalism or theft occurs, the County Supervisor will promptly handle the case in accordance with paragraph XX of FmHA Instruction 110.1. In addition, the State Director will be furnished a copy of all correspondence.

D Paragraph III D, Removal and Disposition of Personal Property Not Acquired by FmHA. OGC advises there are no necessary changes to Paragraph III D of FmHA Instruction 465.2 in the State of Texas.

DISTRIBUTION: S, C

(10-30-73) PN 385

Sheet 1  
(Revision 1)

Program Operations  
Security Servicing  
Real Property

1955-C  
Texas Instruction 465.2A-  
III (Cont.)

E Paragraph III E, Leasing the Property. Renting of acquired property on a temporary basis is discouraged and the County Supervisor should use this authority only in unusual cases. When used, the file should be documented that the property could not be sold immediately and the rental of the property is necessary to protect the Government's interest.

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F Paragraph III F, Caretaker. When RH property is not sold immediately, the County Supervisor may obtain a Caretaker and formalize the agreement of Form FmHA 465-3, "Caretaker's Agreement (Real Property Only)". ~~When eligible applicants wish to occupy the RH house pending the closing of a credit sale to them, they may be permitted to do so under a Caretaker's Agreement,~~ *provided a monthly rental is established at least equal to the applicant's anticipated monthly R.H. installment.*

IV PARAGRAPH V, METHOD OF SALE OF PROPERTY THAT WAS SECURITY FOR A  
LOAN MADE UNDER THE CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT:  
(Revised 8-29-78 PN 414)

A Paragraph V B 5 (a). Form FmHA-Tx 465-3, "Deed Without Warranty (Without Downpayment)", or Form FmHA-Tx 465-4, "Deed Without Warranty (With Downpayment)", whichever is appropriate, will be used in lieu of Form FmHA 465-12, "Quitclaim Deed". These forms will be prepared by the Designated Attorney or Escrow Agent and forwarded to the State Office for signature of the State Director along with a copy of the approved Form FmHA 465-10.

V PARAGRAPH VI B, SALE OF PROPERTY THAT WAS SECURITY FOR RURAL HOUSING  
LOANS ONLY:

A Paragraph VI B, Advertisement. Exhibits A and B of this instruction outline the format to be used in preparation of the notice to be posted as required by paragraph III B of this instruction or an advertisement to be inserted in the newspaper. Slight changes may be made in Exhibit A or B for newspaper advertisement. The State Director's consent will be obtained prior to advertising in the newspaper.

(Continued on Sheet 2)

B Paragraph VI C 1 b, Present Market Value as Determined by Current Appraisal. All sales of acquired property will be based on the present market value of the property as determined by a current appraisal of the property by a qualified FmHA appraiser, taking into consideration any improvements or environmental changes as well as any depreciation due to vandalism or unusual wear-and-tear.

C Paragraph VI C 3 e (1). Form FmHA-Tx 465-3 or Form FmHA-Tx 465-4, as appropriate, will be used in lieu of Form FmHA 465-12 and will be prepared as set out in paragraph IV A of this instruction. In the event of a cash sale, OGC will prepare the Deed Without Warranty.

D Paragraph VI D, Properties Not Suitable for FmHA Programs. When the County Supervisor determines that certain acquired property is not suitable for the RH program because of its physical or environmental condition, it will be offered for sale to ineligible applicants by posting as required in paragraph III B of this instruction, using the format shown in Exhibit B attached hereto. If no sale is made, advertisement in newspaper may follow with prior concurrence of the State Director.

VI PROCESSING SALE OF ACQUIRED PROPERTY BY CREDIT SALE: (Revised 8-29-78, PN 414)

A Distribution of Forms and Documents. When a credit sale of acquired property is approved, Form FmHA-Tx 465-3 or 465-4, as appropriate, will be prepared by the Escrow Agent (Designated Attorney or Title Representative). A copy of the approved Form FmHA 465-10 together with the original and two copies of the Deed Without Warranty will be forwarded to the State Office for the signature of the State Director. The Deed will be executed by the State Director or his authorized representative and returned to the County Supervisor for closing in accordance with FmHA Instruction 1955-C, Section 1955.116 (a)(2)(v), or 1955.117 (d) (6), as appropriate. Immediately after closing the sale, Form FmHA 465-6A will be prepared by the County Supervisor and distributed in accordance with the FMI. If for any reason the sale is not closed, the original Deed Without Warranty will be returned to the State Office for cancellation.

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Attachments: Exhibit A and B

(Format to be used in preparing notices to be posted for sale of property that is suitable for FHA programs)

Farmers Home Administration  
Room 222, Post Office Building  
Anytown, Texas 70000

October 17, 1973

F O R   S A L E

Three bedroom brick veneer house, bath and half, one car garage, located at 420 Liveoak Street, three blocks South of Post Office.

For 30 days from the date of this notice, the house is offered for sale to an eligible applicant for a Farmers Home Administration Rural Housing loan.

The repayment period not to exceed 33 years at \_\_\_\_% interest.

At the end of the 30 days from date of this notice, if the house has not been sold to an eligible applicant, it may be purchased by any person for cash or on terms of not less than 10% cash down payment and not to exceed ten amortized annual installments for the balance of the purchase price.

Additional information, including arrangements for full inspection, may be obtained by calling at the office or by telephone (No. \_\_\_\_\_).

The Government Reserves the Right to Reject Any or All Offers.

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(Format to be used in preparing notices to be posted for sale of property that is not suitable for FHA programs)

Farmers Home Administration  
Room 222, Post Office Building  
Anytown, Texas

October 17, 1973

F O R   S A L E

Two bedroom frame house located 420 Liveoak street, three blocks South of Courthouse. Rates and terms: Cash, or terms of not less than 10% cash down payment and not to exceed ten annual installments at \_\_\_\_\_% interest for the balance of the purchase price.

Additional information about this house, including arrangements for detailed inspection, may be obtained at the office or by telephone (No. \_\_\_\_\_).

The Government Reserves the Right to Reject Any or All Offers

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